



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Insurance

Sean Parnell, Governor
Emil Notti, Commissioner
Linda S. Hall, Director

BULLETIN B 10-04

**TO: ALL PROPERTY AND CASUALTY INSURERS AND OTHER PERSONS
ADJUSTING AND SETTLING MOTOR VEHICLE CLAIMS IN THE STATE OF
ALASKA AND OTHER INTERESTED PARTIES**

**RE: STANDARDS FOR PROMPT, FAIR, AND EQUITABLE SETTLEMENT OF
MOTOR VEHICLE CLAIMS**

The division frequently receives questions related to the application of the requirements under 3 AAC 26.080. A person who transacts the business of insurance by participating in the investigation, adjustment, negotiation, or settlement of a motor vehicle claim must comply with the standards in this regulation. This bulletin provides guidance to assist those persons in complying with these requirements. In addition to reviewing this bulletin, a person who participates in the investigation, adjustment, negotiation, or settlement of a motor vehicle claim must read, understand, and follow all of the requirements of 3 AAC 26.080 and all other applicable regulations and statutes.

Third Party Providers

If an insurer relies upon a third party to assist in performing any of the requirements of 3 AAC 26.080, the insurer is responsible for ensuring that the products, acts, and practices of the third party are in compliance with 3 AAC 26.080 and that any actions taken by the insurer based upon products, acts, and practices of the third party are in compliance with 3 AAC 26.080.

Taxes and Fees

A settlement offer must include all applicable taxes, license fees, and other fees incidental to the transfer of ownership of the motor vehicle.

Destination or Delivery Charges

A settlement offer must include destination or delivery charges.

Cost of a Comparable Motor Vehicle

A cash settlement offer must be based upon the actual cost to purchase a comparable motor vehicle. The cost is determined by

- 1) the cost of a comparable motor vehicle in the local market area of the claimant if a comparable vehicle is available in that area, or
- 2) averaging two or more cost quotations for a comparable motor vehicle from two or more qualified dealers located in the local market area if a comparable vehicle is not available in that area.

Under the first option, 3 AAC 26.080(a)(1)(B)(i), when a comparable vehicle is available in the local market area, the settlement cost must be the cost of that vehicle with no cost to the first-party claimant other than the deductible amount. Vehicles advertised in newspapers in the local market area may be included in the determination of the cash settlement offer. But they must be vehicles that are actually available for the consumer to purchase and not vehicles that were advertised in the past but are no longer available.

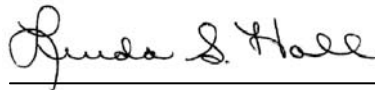
Under the second option, 3 AAC 26.080(a)(1)(B)(ii), when a comparable vehicle is not available in the local market area, the settlement offer must average at least two quotes from qualified dealers. To be considered a qualified dealer, the person must have a current motor vehicle dealer business license. The quotes must reflect the cost of obtaining the vehicle with no cost to the first-party claimant other than the deductible amount.

“Local market area” is defined in 3 AAC 26.300(7) as: the geographical area, in the closest proximity to the claimant’s residence, in which two or more qualified dealers are located.

For example, if an insurer bases the settlement offer on vehicles or quotes obtained from qualified dealers in Fairbanks to settle a claim in Sitka, this may be a violation of 3 AAC 26.080 if there are comparable vehicles or qualified dealers closer to Sitka than those in Fairbanks. Similarly, using comparable vehicles or quotes from dealers in Seattle for a claim in Talkeetna may be a violation of 3 AAC 26.080 if there are comparable vehicles or qualified dealers closer to Talkeetna than those in Seattle.

If you have questions regarding this bulletin, please contact the Division of Insurance, P.O. Box 110805, Juneau, AK 99811-0805; (907) 465-2515; or via electronic mail at insurance@alaska.gov

Dated: March 19, 2010.



Linda S. Hall
Director